

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF L'ANSE	County BARAGA
Fiscal Year End JUNE 30, 2006	Opinion Date AUGUST 24, 2006	Date Audit Report Submitted to State OCTOBER 2, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	REPORT ON INTERNAL CONTROL AND COMPLIANCE	
Certified Public Accountant (Firm Name) FLEURY, SINGLER & COMPANY, P.C.		Telephone Number 906-774-0833	
Street Address 301 STEPHENSON AVENUE		City IRON MOUNTAIN	State MI
Authorizing CPA Signature 		Printed Name DAVID J. KNOKE	Zip 49801
		License Number MI 1101010481	

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 24, 2006

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of L'Anse, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements and have issued our report thereon dated August 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of L'Anse, Michigan in a separate letter dated August 24, 2006.

This report is intended solely for the information of the management and the Village Council and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

August 24, 2006

Village Council
Village of L'Anse
L'Anse, Michigan 49946

Council Members:

In planning and performing our audit of the financial statements of the Village of L'Anse for the year ended June 30, 2006, we considered the Village's internal control structure to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The paragraphs below summarize our comments and suggestions regarding those matters. This letter does not affect our report dated August 24, 2006, on the financial statements of the Village of L'Anse.

CASH BALANCES

As mentioned in our previous letter, the Village has significant cash balances not covered by F.D.I.C. or N.C.U.A. insurance. We recommend that the Village consider using several banking institutions in order to minimize risk. Alternatively, the Village may wish to discuss with its present bank the possibility of having its deposits collateralized.

L'ANSE TOWNSHIP

It would appear that L'Anse Township has not remitted the full amount of property taxes for the Downtown Development Authority (DDA) for 2001, 2002, 2003, 2004, and 2005. We recommend that the Village contact appropriate township and county personnel to expedite the remittances.

PROPERTY TAXES

As mentioned in our previous letter, the Village has not remitted the full amount of DDA allocable property taxes to the DDA. We recommend that the Village remit taxes allocable to the DDA on a timely basis.

EXPENDITURES

Our review of cash disbursements indicated two instances relating to engineering services that lacked sufficient documentation. Adequate documentation is necessary to ensure that checks are issued only for valid disbursements. The first instance involved an advance deposit paid on an invoice for construction services. Although the disbursement was approved, it did not have sufficient documentation. We recommend that invoices be paid for the amount of the invoice only and never from a statement or advance payment request. The second instance involved the duplicate payment of an engineering invoice. This error occurred in the later part of the year and would have been discovered by management eventually. Fleury, Singler & Company reconciled all charges and payments with the engineers and is satisfied that all disbursements were proper. The engineers have issued credit on a subsequent 2006/2007 invoice. We recommend continued diligence in the invoice payment process to ensure that amounts paid match the expected and actual amounts due.

DOWNTOWN DEVELOPMENT AUTHORITY - BUDGETING

As mentioned in our previous letter, the DDA had not established a budget in accordance with Michigan requirements. The budget was appropriately established in the current year. We did note one inconsistency in the budget process; that being expenditures of the Village. Expenditures of the Village paid by the DDA should be treated as transfers by the DDA and likewise by the Village.

We will review the status of these comments during our next engagement. We have already discussed these comments and suggestions with Village personnel and we will be pleased to discuss them in further detail at your convenience. We wish to acknowledge the cooperation and courtesies extended to us during the course of our examination.

Very truly yours,

A handwritten signature in black ink, reading "Fleury Singh Mangray, P.C." in a cursive script.

Certified Public Accountants

VILLAGE OF L'ANSE, MICHIGAN

Financial Report

With Supplemental Information

June 30, 2006

TABLE OF CONTENTS

	Page No.
Independent Auditors' Report	3
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet	12
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds	
Statement of Net Assets	16
Statement of Revenues, Expenses, and Changes in Fund Net Assets	17
Statement of Cash Flows	18
Component Unit	
Statement of Net Assets	19
Statement of Activities	20
Notes to Financial Statements	21
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	31
Retirement Systems Schedule of Funding Progress and Employer	
Contributions - Municipal Employees' Retirement System	33
Other Supplemental Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	34
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances	35
Other	
Water Utility Fund	
Comparative Statements of Net Assets	36
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets	37
Comparative Statements of Cash Flows	38
Disposal System Fund	
Comparative Statements of Net Assets	39
Comparative Statements of Revenues, Expenses, and Changes in Fund Net Assets	40
Comparative Statements of Cash Flows	41

INDEPENDENT AUDITORS' REPORT

The Honorable President and Village Council
Village of L'Anse
L'Anse, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **VILLAGE OF L'ANSE, MICHIGAN'S** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **VILLAGE OF L'ANSE, MICHIGAN** as of June 30, 2006, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2006, on our consideration of the Village of L'Anse, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, retirement system schedule of funding progress, and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **VILLAGE OF L'ANSE, MICHIGAN'S** basic financial statements. The accompanying other supplemental information as identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and comparative financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Certified Public Accountants

August 24, 2006

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Within this section of the Village of L'Anse, Michigan's (Village) financial report, the Village's management provides narrative discussion and analysis of the financial activities of the Village for the fiscal year ended June 30, 2006. The Village's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Village's primary government, unless otherwise noted; the component unit reported separately from the primary government is not included. Please read this management's discussion and analysis in conjunction with the Village's financial statements.

Financial Highlights

- The Village's assets exceeded its liabilities by \$9,450,403 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded its liabilities by \$9,022,159. Net assets increased in governmental activities by \$546,883, primarily from investments in equipment and infrastructure (some of which funded by grants). Governmental activities included transfers of \$172,244 from the component unit. Business-type activities included depreciation expense of \$299,370.
- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$8,558,281 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Net assets of \$20,904 are restricted by constraints imposed from debt covenants and regulations.
 3. Unrestricted net assets of \$871,218 represent the portion available to maintain the Village's continuing obligations to citizens and creditors.
- The Village's governmental funds reported total ending fund balance of \$448,445 compared to the prior year ending fund balance of \$267,797, an increase of \$180,648 during the current year.
- Total liabilities of the Village decreased by \$142,006 during the fiscal year. General obligation bonds issued for capital improvements during the fiscal year were \$450,000. Accounts payable decreased primarily due to the prior year acquisition of a new lift station in the Disposal System Fund and reimbursements to the component unit from the sale of the grocery store property being repaid during the current year.
- The Village's Electric Utility Fund continues to maintain an investment of \$80,156 with the Upper Peninsula Public Power Agency. The purpose of the Agency is to invest in the American Transmission Company System, a Wisconsin LLC.
- The Village was awarded grants totaling \$690,000 from the State of Michigan for a Streetscape Project in the Village's downtown area. \$321,325 was received in the current year. The Streetscape Project includes bump-outs, trees, stamped concrete, planters, and decorative lighting. The Village also issued general obligation bonds of \$450,000 related to this project.
- The Village incurred construction costs of \$684,799 related to infrastructure improvements during fiscal year ended 2006. These infrastructure improvements included \$200,000 for remaining costs associated with the Linden Creek Flood Control Project, \$397,381 for the Streetscape Project, and other improvements. Additional construction activities for infrastructure improvements for the Streetscape Project are anticipated for fiscal year ended 2007. 2007 costs are estimated at \$735,000 to be funded with remaining grant funds and local contributions.
- The Village acquired two fire trucks in the current year. The two trucks acquired totaled \$280,220, a portion of which was expended in the prior fiscal year.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2006

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Village's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

The Village also includes in this report additional information to supplement the financial statements.

Government-wide financial statements

The Village's financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Village's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide financial statements is the **Statement of Net Assets**. This is the Village-wide statement of financial position presenting information that includes all of the Village's assets and liabilities with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village as a whole is improving or deteriorating. Evaluation of the overall economic health of the Village would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of the Village infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the **Statement of Activities**, which reports how the Village's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the Village's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Village that are principally supported by taxes and intergovernmental revenues, and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, sanitation and recreation. Business-type activities include electric utility, water utility and a disposal system.

The Village's financial reporting entity includes the funds of the Village (primary government) and one organization for which the Village is accountable (Downtown Development Authority-component unit).

Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Village uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Village's most important funds rather than the Village as a whole. Major funds are separately reported, while all others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

The Village has two types of funds:

Governmental Funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Village's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2006

Proprietary funds are reported in the fund financial statements and generally report services for which the Village charges customers a fee. Proprietary funds include the electric utility fund, water utility fund and disposal system fund and are reported as business-type activities in the government-wide financial statements. All three funds are reported as major funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's progress in funding its obligation to provide pension benefits to its employees. A budgetary comparison statement is included in the basic financial statements for the general fund.

Major funds and the component unit are reported in the basic financial statements. Combining statements for nonmajor funds and comparative statements for the water utility fund and the disposal system fund are presented in a subsequent section of this report.

Financial Analysis of the Village as a Whole

Net assets of the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 635,868	\$ 687,369	\$ 584,144	\$ 684,766	\$ 1,220,012	\$ 1,372,135
Noncurrent assets	5,799,813	5,044,661	8,060,360	8,377,151	13,860,173	13,421,812
Total assets	6,435,681	5,732,030	8,644,504	9,061,917	15,080,185	14,793,947
Liabilities						
Current liabilities	270,884	470,771	328,545	517,262	599,429	988,033
Long-term liabilities	1,305,578	948,923	3,724,775	3,834,832	5,030,353	4,783,755
Total liabilities	1,576,462	1,419,694	4,053,320	4,352,094	5,629,782	5,771,788
Net assets						
Investment in capital						
assets net of related debt	4,509,020	4,161,609	4,049,261	4,198,050	8,558,281	8,359,659
Restricted	13,447	122,483	7,457	59,430	20,904	181,913
Unrestricted	336,752	28,244	534,466	452,343	871,218	480,587
Total net assets	\$ 4,859,219	\$ 4,312,336	\$ 4,591,184	\$ 4,709,823	\$ 9,450,403	\$ 9,022,159

The Village's combined net assets increased 5 percent from a year ago. Governmental activities net assets increased by \$ 546,883, while business-type activities net assets decreased by \$118,639.

Unrestricted net assets, the portion that can be used to finance day-to-day operations, for governmental activities increased by \$308,508. Unrestricted net assets for business-type activities increased by \$82,123.

VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2006

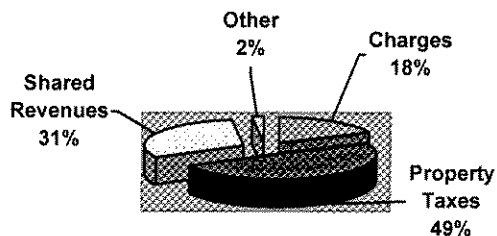
Changes in net assets during the current year and prior year are as follows:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenue						
Charges for services	\$ 241,871	\$ 238,693	\$ 2,216,253	\$ 1,967,053	\$ 2,458,124	\$ 2,205,746
General revenue						
Property taxes	654,298	646,864	-	-	654,298	646,864
State-shared revenues	411,835	422,913	-	-	411,835	422,913
Grants	472,702	220,000	-	-	472,702	220,000
Interest	10,547	8,950	18,277	15,603	28,824	24,553
Other	16,752	12,220	-	-	16,752	12,220
Total revenues	\$ 1,808,005	\$ 1,549,640	\$ 2,234,530	\$ 1,982,656	\$ 4,042,535	\$ 3,532,296
Program expenses						
General government	\$ 125,556	\$ 158,343	\$ -	\$ -	\$ 125,556	\$ 158,343
Public safety	450,286	409,951	-	-	450,286	409,951
Public works	557,460	624,174	-	-	557,460	624,174
Sanitation	208,171	183,731	-	-	208,171	183,731
Recreation	43,543	40,644	-	-	43,543	40,644
Interest on long-term debt	48,350	48,629	-	-	48,350	48,629
Proprietary activities	-	-	2,353,169	2,161,298	2,353,169	2,161,298
Total program expenses	\$ 1,433,366	\$ 1,465,472	\$ 2,353,169	\$ 2,161,298	\$ 3,786,535	\$ 3,626,770
Change in net assets before transfers and other	\$ 374,639	\$ 84,168	\$ (118,639)	\$ (178,642)	\$ 256,000	\$ (94,474)
Contribution	-	2,939,071	-	-	-	2,939,071
Transfers from (to) DDA	172,244	(57,832)	-	-	172,244	(57,832)
Transfers	-	(91,249)	-	91,249	-	-
Change in net assets	\$ 546,883	\$ 2,874,158	\$ (118,639)	\$ (87,393)	\$ 428,244	\$ 2,786,765

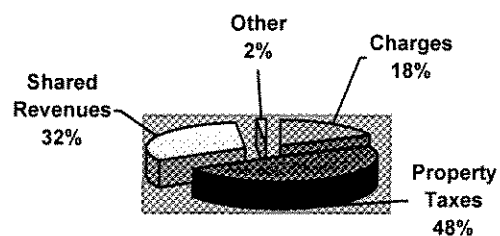
Graphic presentations of selected data follow to assist in the analysis of the Village's activities for fiscal years 2006 and 2005:

Governmental Activities

2006 Governmental Revenues



2005 Governmental Revenues



The above charts do not include grants, contributions, or transfers.

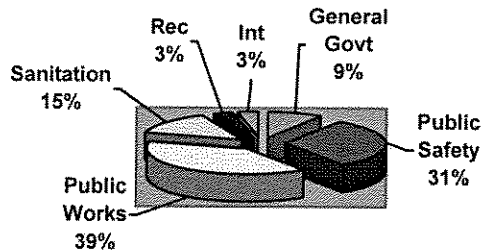
VILLAGE OF L'ANSE

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

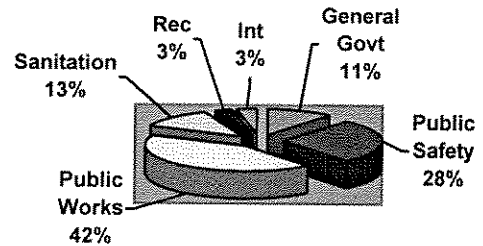
JUNE 30, 2006

Governmental Activities (continued)

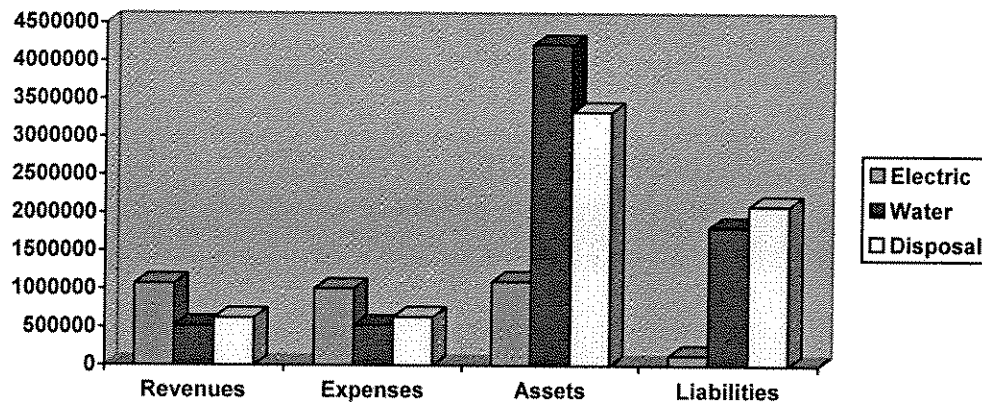
2006 Governmental Expenditures



2005 Governmental Expenditures



Business-Type Activities



Financial Analysis of the Village's Funds

Governmental Funds – The Village's total governmental revenues increased by \$356,916 or 22 percent from prior year levels. The increase relates primarily to state grant revenue of \$321,325. Governmental expenditures decreased by \$2,313,701 from prior year levels. The decrease is primarily from the inclusion of the Linden Creek Flood Control Project in the prior year. Included in expenditures were capital outlays of \$912,656 in 2006 and \$3,243,222 in 2005. The capital outlay expenditures in 2006 relate primarily to the purchase of two fire trucks, remaining costs associated with the Linden Creek Flood Control Project, and costs associated with the Streetscape Project.

Proprietary Funds – The Village's business-type activities consist of electric utility, water utility and a disposal system. Operating revenues increased 13 percent from prior year. The increase relates primarily to the Village increasing rates and charging user fees for vacant homes and businesses in the current year. Operating expenses increased by 10 percent.

VILLAGE OF L'ANSE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2006

General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to account for events during the year. Budgetary amendments were relatively minor, with the exception of the following items. Total budgeted revenues were decreased by \$365,300 including changes to a federal grant from Homeland Security, state grants, rent, and other revenue changes. Total budgeted capital outlay was decreased by \$688,750 due primarily to the extension of the Streetscape Project into 2007. The fire department budgeted for a fire truck and other equipment (\$218,000), while public works budgeted for costs associated with the Linden Creek Flood Control Project, the Streetscape Project, and other equipment (\$610,000). Other financing sources were adjusted to account for the issuance of general obligation bonds for the Streetscape Project (\$450,000) and transactions with the component unit (\$173,000).

Capital Asset and Debt Administration

The Village's investment in capital assets, net of accumulated depreciation and related debt, for governmental and business-type activities as of June 30, 2006 was \$4,509,020 and \$4,049,261, respectively. Major capital asset additions during the current fiscal year included:

Linden Creek Flood Control Project	\$ 200,000
Streetscape Project	397,381
Fire trucks	109,964

At the end of the fiscal year, the Village had long-term debt obligations of \$5,213,146. The portion of the debt relating to governmental activities was \$1,378,327. During the current year, the Village issued \$450,000 in general obligation bonds to fund infrastructure improvements (Streetscape Project). The portion of the debt relating to business-type activities was \$3,834,819. This balance declined by normal amortization of principal payments.

Economic Factors and Next Year's Budgets and Rates

Local economic conditions are anticipated to remain the same. Health care costs make up a significant portion of the Village's expenditures. In 2006, these costs increased 6% over the prior year. Funding health care cost increases remains a challenge for the Village in 2007. Health care premiums are projected to increase by 6%. The Village's 2007 budget includes grants and contributions related to the Streetscape Project. Utility rate increases have been approved effective May 1, 2006. These rate increases were necessary to cover increasing costs. The Village will begin a study of the sewer system in the next fiscal year. The Village will receive a grant to cover \$140,000 of the costs while the Village's portion of the costs is expected to be \$16,000.

Contacting the Village's Financial Management

The financial report is designed to provide a general overview of the Village's finances and demonstrate the Village's commitment to public accountability. If you have any questions about this report or need additional information, we welcome you to contact the clerk's office at (906)-524-6116.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 290,182	\$ 225,945	\$ 516,127	\$ 53,867
Accounts receivable				
Utility billings	20,998	249,055	270,053	
Grants	332,714	-	332,714	-
Other	78,811	-	78,811	5,400
Taxes receivable	17,248	-	17,248	-
Due from primary government	-	-	-	39,645
Internal balances	(109,144)	109,144	-	-
Inventory	5,059	-	5,059	-
Investments	-	80,156	80,156	106,960
Restricted assets	-	96,124	96,124	-
Capital assets	5,799,813	7,884,080	13,683,893	-
Total assets	6,435,681	8,644,504	15,080,185	205,872
Liabilities and Net Assets				
Liabilities				
Accounts payable	97,669	95,700	193,369	-
Accrued sick and vacation wages	32,378	102,231	134,609	-
Customer deposits	-	20,570	20,570	-
Due to component unit - DDA	39,645	-	39,645	-
Accrued interest	13,443	-	13,443	-
Deferred grant revenue	15,000	-	15,000	-
Noncurrent liabilities				
Due within one year	72,749	110,044	182,793	-
Due in more than one year	1,305,578	3,724,775	5,030,353	-
Total liabilities	1,576,462	4,053,320	5,629,782	-
Net assets				
Investment in capital assets - net of related debt	4,509,020	4,049,261	8,558,281	-
Restricted				
Debt requirements	-	7,457	7,457	-
Streets and roads	13,447	-	13,447	-
Unrestricted	336,752	534,466	871,218	205,872
Total net assets	\$ 4,859,219	\$ 4,591,184	\$ 9,450,403	\$ 205,872

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>
Functions/Programs		
Primary Government		
Governmental activities		
General government	\$ 125,556	\$ 9,338
Public safety	450,286	6,030
Public works	557,460	-
Sanitation	208,171	223,349
Recreation	43,543	3,154
Interest on long-term debt	48,350	-
	<hr/>	<hr/>
Total governmental activities	1,433,366	241,871
Business-type activities	2,353,169	2,216,253
	<hr/>	<hr/>
Total primary government	\$ 3,786,535	\$ 2,458,124
	<hr/>	<hr/>
Component Unit - Downtown Development Authority	\$ 14,711	-
	<hr/>	<hr/>
		General revenues and transfers
		Property taxes
		Village operating
		Downtown Development Authority
		Total property taxes
		State-shared revenues
		Grants and contributions
		Interest
		Other
		Transfers - component unit
		Total general revenues and transfers
		Change in Net Assets
		Net Assets - Beginning of year
		Net Assets - End of year

See accompanying notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				Component Unit
Governmental Activities	Business-type Activities	Total		
\$ (116,218)	\$ -	\$ (116,218)	\$ -	
(444,256)	-	(444,256)	-	
(557,460)	-	(557,460)	-	
15,178	-	15,178	-	
(40,389)	-	(40,389)	-	
(48,350)	-	(48,350)	-	
(1,191,495)	-	(1,191,495)	-	
-	(136,916)	(136,916)	-	
(1,191,495)	(136,916)	(1,328,411)	-	
-	-	-	(14,711)	
654,298	-	654,298	-	
-	-	-	81,932	
654,298	-	654,298	81,932	
411,835	-	411,835	-	
472,702	-	472,702	-	
10,547	18,277	28,824	4,220	
16,752	-	16,752	-	
172,244	-	172,244	(172,244)	
1,738,378	18,277	1,756,655	(86,092)	
546,883	(118,639)	428,244	(100,803)	
4,312,336	4,709,823	9,022,159	306,675	
<u>\$ 4,859,219</u>	<u>\$ 4,591,184</u>	<u>\$ 9,450,403</u>	<u>\$ 205,872</u>	

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General Fund	Nonmajor Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 255,614	\$ 34,568	\$ 290,182
Accounts receivable			
Utility billings	20,998	-	20,998
Grants	332,714	-	332,714
Other	65,456	13,355	78,811
Taxes receivable	16,779	469	17,248
Inventory	2,463	2,596	5,059
Due from other funds	-	29,068	29,068
Total assets	\$ 694,024	\$ 80,056	\$ 774,080
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 60,177	\$ 37,492	\$ 97,669
Accrued sick and vacation wages	30,261	2,117	32,378
Due to component unit - Downtown Development Authority	39,645	-	39,645
Due to other funds	111,212	27,000	138,212
Accrued interest	2,731	-	2,731
Deferred grant revenue	15,000	-	15,000
Total liabilities	259,026	66,609	325,635
Fund balances			
Reserved for inventory	2,463	2,596	5,059
Unreserved - reported in			
General fund	432,535	-	432,535
Special revenue funds	-	10,851	10,851
Total fund balances	434,998	13,447	448,445
Total liabilities and fund balances	\$ 694,024	\$ 80,056	\$ 774,080

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Fund Balances - Total Governmental Funds	\$	448,445
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets \$6,783,091, net of accumulated depreciation of (\$983,278) used in governmental activities are not financial resources and are not reported in the governmental funds		5,799,813
Accrued interest payable is recorded as a liability in governmental activities		(10,712)
Compensated absences are included as a liability in governmental activities		(87,534)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds		<u>(1,290,793)</u>
Net Assets - Governmental Activities	\$	<u>4,859,219</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	General Fund	Nonmajor Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 498,115	\$ 156,183	\$ 654,298
State shared revenues	227,054	184,781	411,835
Garbage collection fees	223,349	-	223,349
Federal grants - Homeland Security	101,377	-	101,377
State grants - Streetscape	321,325	-	321,325
Local grant - Keweenaw	50,000	-	50,000
Rent	181,953	-	181,953
Other	40,186	-	40,186
Interest	9,565	982	10,547
Total revenues	1,652,924	341,946	1,994,870
Expenditures			
Current			
General government	105,425	-	105,425
Public safety	412,478	-	412,478
Public works	312,147	363,889	676,036
Sanitation	208,878	-	208,878
Recreation	36,256	-	36,256
Capital outlay	825,238	87,418	912,656
Debt service	41,003	47,838	88,841
Total expenditures	1,941,425	499,145	2,440,570
Excess of revenues (under) expenditures	(288,501)	(157,199)	(445,700)
Other financing sources (uses)			
Bond proceeds	450,000	-	450,000
Sale of fixed assets	4,104	-	4,104
Operating transfers in - Component Unit	172,244	-	172,244
Operating transfers in	-	272,163	272,163
Operating transfers out	(48,163)	(224,000)	(272,163)
Total other financing sources (uses)	578,185	48,163	626,348
Net change in fund balances	289,684	(109,036)	180,648
Fund balances - Beginning of year	145,314	122,483	267,797
Fund balances - End of year	\$ 434,998	\$ 13,447	\$ 448,445

See accompanying notes to financial statements.

VILLAGE OF L'ANSE**GOVERNMENTAL FUNDS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$ 180,648
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; these costs are allocated over their estimated useful lives as depreciation	912,656
Capital assets used in governmental activities are not considered financial resources, such as:	
Depreciation recorded on those assets	(147,504)
Disposal of those assets	(10,000)
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	(1,768)
Increase in accumulated sick pay is recorded when earned in the statement of activities	20,592
Proceeds from issuance of long-term debt is income in the governmental funds, but increases long-term liabilities in the statement of net assets	(450,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	<u>42,259</u>
Change in Net Assets - Governmental Activities	<u>\$ 546,883</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2006

		Major Funds						
		Electric Utility	Water Utility	Disposal System	Total			
Assets								
Current assets								
Cash and cash equivalents	\$	196,635	\$	26,460	\$	2,850	\$	225,945
Accounts receivable - net		148,652		44,680		55,723		249,055
Due from General Fund		109,144		-		-		109,144
Total current assets		454,431	71,140	58,573	584,144			
Long-term assets								
Investments		80,156	-	-	80,156			
Restricted assets		-	51,345	44,779	96,124			
Utility plant and system (capital assets)		566,516	4,092,687	3,224,877	7,884,080			
Total assets		1,101,103	4,215,172	3,328,229	8,644,504			
Liabilities and Net Assets								
Liabilities								
Current liabilities								
Accounts payable		68,417	12,702	14,581	95,700			
Accrued expenses		46,052	43,415	12,764	102,231			
Customers' deposits		20,345	225	-	20,570			
Current liabilities - installment contract		-	-	13,196	13,196			
Current liabilities payable from restricted assets		-	30,000	66,848	96,848			
Total current liabilities		134,814	86,342	107,389	328,545			
Long-term debt - net of current portion		-	1,735,000	1,989,775	3,724,775			
Total liabilities		134,814	1,821,342	2,097,164	4,053,320			
Net assets								
Invested in utility plant and system - net of related debt		566,516	2,327,687	1,155,058	4,049,261			
Restricted		-	21,345	(13,888)	7,457			
Unrestricted and undesignated		399,773	44,798	89,895	534,466			
Total net assets		\$ 966,289	\$ 2,393,830	\$ 1,231,065	\$ 4,591,184			

See accompanying notes to financial statements.

VILLAGE OF L'ANSE**PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2006**

	Major Funds			Total
	Electric Utility	Water Utility	Disposal System	
Operating revenues				
Sales	\$ 1,059,568	\$ 519,453	\$ 620,240	\$ 2,199,261
Services	11,521	2,694	2,777	16,992
Other	-	-	-	-
Total operating revenues	1,071,089	522,147	623,017	2,216,253
Operating expenses				
Distribution	920,999	393,260	442,114	1,756,373
Administrative and general	61,540	37,901	11,423	110,864
Depreciation	23,015	95,518	180,837	299,370
Total operating expenses	1,005,554	526,679	634,374	2,166,607
Operating income (loss)	65,535	(4,532)	(11,357)	49,646
Nonoperating revenues (expenses)				
Interest income	13,299	3,432	1,546	18,277
Interest expense	-	(89,000)	(97,562)	(186,562)
Total nonoperating revenues (expenses)	13,299	(85,568)	(96,016)	(168,285)
Income (loss) before transfers	78,834	(90,100)	(107,373)	(118,639)
Transfers from other funds	-	-	43,000	43,000
Transfers to other funds	(43,000)	-	-	(43,000)
Changes in net assets	35,834	(90,100)	(64,373)	(118,639)
Net assets - Beginning of year	930,455	2,483,930	1,295,438	4,709,823
Net assets - End of year	\$ 966,289	\$ 2,393,830	\$ 1,231,065	\$ 4,591,184

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006

	Major Funds			
	Electric Utility	Water Utility	Disposal System	Total
Cash flows from operating activities				
Receipts from customers	\$ 1,026,874	\$ 511,240	\$ 617,317	\$ 2,155,431
Payments to suppliers	(871,377)	(132,580)	(162,367)	(1,166,324)
Payments to employees for wages and benefits	(108,769)	(303,102)	(287,232)	(699,103)
Other receipts	4,105	-	-	4,105
Net cash provided by operating activities	50,833	75,558	167,718	294,109
Cash flows from noncapital financing activities				
Transfers	(43,000)	-	118,000	75,000
Net cash (used in) provided by noncapital financing activities	(43,000)	-	118,000	75,000
Cash flows from capital and related financing activities				
Purchase of capital assets	(29,062)	(2,387)	(202,381)	(233,830)
Principal paid on debt	-	(30,000)	(78,684)	(108,684)
Interest paid on debt	-	(89,000)	(97,562)	(186,562)
Net cash (used in) capital and related financing activities	(29,062)	(121,387)	(378,627)	(529,076)
Cash flows from investing activities				
Interest	13,299	3,432	1,546	18,277
Reduction in investments	-	50,000	-	50,000
Net cash provided by investing activities	13,299	53,432	1,546	68,277
Net change in cash and cash equivalents	(7,930)	7,603	(91,363)	(91,690)
Cash and cash equivalents - Beginning of year	204,565	20,202	96,131	320,898
Cash and cash equivalents - End of year	\$ 196,635	\$ 27,805	\$ 4,768	\$ 229,208
Balance sheet classification of cash and cash equivalents				
Cash and cash equivalents	\$ 196,635	\$ 26,460	\$ 2,850	\$ 225,945
Restricted assets	-	1,345	1,918	3,263
Total	\$ 196,635	\$ 27,805	\$ 4,768	\$ 229,208
Reconciliation of operating income (loss) to net cash from operating activities				
Operating Income (loss)	\$ 65,535	\$ (4,532)	\$ (11,357)	\$ 49,646
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	23,015	95,518	180,837	299,370
Changes in assets and liabilities				
(Increase) in accounts receivable	(44,195)	(10,907)	(5,700)	(60,802)
Decrease in due from General Fund	4,105	-	-	4,105
Increase (decrease) in accounts payable	1,655	(8,824)	(198)	(7,367)
Increase in accrued expenses	738	4,303	4,136	9,177
(Decrease) in customer deposits	(20)	-	-	(20)
Net cash provided by operating activities	\$ 50,833	\$ 75,558	\$ 167,718	\$ 294,109

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF NET ASSETS - COMPONENT UNIT
JUNE 30, 2006

	<u>Downtown Development Authority</u>
Assets	
Cash and cash equivalents	\$ 53,867
Accounts receivable	5,400
Due from primary government	39,645
Investments	<u>106,960</u>
Total assets	205,872
Liabilities and Net Assets	
Liabilities	<u>-</u>
Net assets - Unrestricted	<u>\$ 205,872</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE
STATEMENT OF ACTIVITIES - COMPONENT UNIT
YEAR ENDED JUNE 30, 2006

	<u>Downtown Development Authority</u>
Expenses	\$ 14,711
Program revenues	<u>-</u>
	Net (expense) (14,711)
General revenues and transfers	
Property taxes	81,932
Interest	4,220
Transfers - General Fund	<u>(172,244)</u>
	Total general revenues and transfers <u>(86,092)</u>
Change in net assets	(100,803)
Net assets - Beginning of year	<u>306,675</u>
Net assets - End of year	<u>\$ 205,872</u>

See accompanying notes to financial statements.

VILLAGE OF L'ANSE

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Village of L'Anse, Michigan (the "Village") are discussed in subsequent sections of this note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Village's financial activities for the fiscal year ended June 30, 2006.

The following is a summary of the significant accounting policies used by the Village of L'Anse, Michigan.

REPORTING ENTITY

The Village was incorporated under the provision of Act 3 in 1895 (General Law Village) and operates under a Council-Manager form of government. The accompanying financial statements present the Village and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village. The Village's major operations include cemetery, police and fire protection, public works, sanitation, recreation and general administration services. In addition, the Village owns and operates three major enterprise activities: the electric utility system, water utility system and disposal system.

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units over which the Village exercises significant influence. Significant influence is based primarily on operational or financial relationships. The Downtown Development Authority (the "Authority") was created to encourage and spur redevelopment of the L'Anse business district and to make L'Anse an attraction for visitors and tourists as well as a source of pride for the local community. The Authority's governing board is appointed by the Village's governing body. The Village collects tax funds on the Authority's behalf.

Excluded from the reporting entity is the L'Anse Housing Authority. The L'Anse Housing Authority's governing board selects management staff, sets charges, establishes budgets and controls all aspects of its own operations. The Village provides no funding to the Authority. Additionally, the Village holds no title to Housing Authority assets, nor does it have any right to Housing Authority surpluses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government exercises accountability.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included as program revenues are reported as general revenues.

Fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and the component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded in the year payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenues. All other revenue items are considered to be available only when cash is received by the Village.

Amounts reported as program revenue include charges to customers for goods and services. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. The principal operating revenue of proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Village's electric, water, and sewer functions and other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Village reports the following major governmental fund:

General Fund – The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following three major proprietary funds:

Electric, Water and Disposal System Funds – These three funds are the Village's major proprietary funds. They account for the activities of the electric, water and sewer distribution systems of the Village.

Additionally, the Village reports the following funds:

Special Revenue Funds – Special revenue funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions. They include the Major Street, Local Street and Municipal Street Funds.

Debt Service Fund – The debt service fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from operations of an enterprise fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – Cash and cash equivalents are considered to be highly liquid investments if they have a maturity date of three months or less when acquired by the Village. These include cash on hand, demand deposits, and short-term investments. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due from other funds" or "due to other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances. All trade receivables are shown as net of allowance for uncollectible amounts (\$15,000 in 2006).

Inventory – Inventory consists of salt and gravel for roads and is valued at cost, on a first-in, first-out basis. Fund balances have been reserved in an amount equal to the cost of the inventory.

Restricted Assets – Certain resources related to enterprise fund revenue bonds set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "contract payment account" is used to segregate resources accumulated for debt service payments. Other accounts are set aside for other special uses. Restricted assets include cash and cash equivalents and certificates of deposit with maturities greater than three months.

Capital Assets – The Village's property, plant and equipment and infrastructure with useful lives of more than one year are stated at historical cost and are comprehensively reported in the government-wide financial statements. Proprietary assets are also reported in their respective funds. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Buildings, equipment, vehicles and infrastructure assets are depreciated over the following useful lives:

Water and sewer distribution systems	10-65 years
Buildings and building improvements	65 years
Vehicles	5-10 years
Machinery and equipment	8-20 years
Infrastructure assets	20-75 years

Compensated Absences (Vacation and Sick Leave) – It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management – The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE B – BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are prepared on a detailed line item basis. Revenues are budgeted by source while expenditures are budgeted by department and class. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriations at the activity level. During the year, one supplementary appropriation was necessary.

The Village followed the following procedures in establishing the budgetary data reflected in the financial statements:

1. On May 15, 2005, an operating budget was submitted to the Village Finance Committee for the fiscal year ending June 30, 2006. The operating budget includes proposed expenditures and the means of financing them.
2. On June 13, 2005, a public hearing was conducted to obtain taxpayer comments.
3. The budget was legally adopted on June 27, 2005.
4. The Village Council authorizes all budgetary revisions throughout the fiscal year. The budget was revised and approved for revision on June 26, 2006.
5. Formal budgetary integration is employed as a management control device during the year for all governmental and proprietary funds.

NOTE C – DEPOSITS AND INVESTMENTS

State statutes authorize the Village to deposit and invest in the following:

1. Certificates of deposit, savings accounts, or deposit accounts of federally insured financial institutions. The Village Board shall authorize depositories at the Board's organizational meeting after each regular election of board members.
2. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
3. Repurchase agreements consisting of instruments listed in 2.
4. Bankers' acceptances of United States banks.
5. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated investment grade by not less than 1 standard rating service.
7. Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Village. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
8. Investment pools through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
9. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.
11. American Transmission Company System; Amendment to Public Act 513 of 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C – DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2006, the carrying value of the Village's deposits and investments were reported as follows:

	Governmental Activities	Business-type Activities	Total	Component Unit
Cash and cash equivalents	\$ 290,182	\$ 225,945	\$ 516,127	\$ 53,867
Investments	-	80,156	80,156	106,960
Restricted assets-bank deposits	-	96,124	96,124	-
Totals	\$ 290,182	\$ 402,225	\$ 692,407	\$ 160,827

The breakdown between deposits and investments for the Village is as follows:

	Primary Government	Component Unit
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 611,951	\$ 160,827
Investments - UPPPA - ATC	80,156	-
Cash on hand	300	-
Totals	\$ 692,407	\$ 160,827

The bank and credit union balances totaled \$957,153 of which \$307,782 was covered by the F.D.I.C. or N.C.U.A. The remainder was uninsured and uncollateralized.

The Village's investments are categorized to indicate the level of risk assumed by the Village at June 30, 2006. Risk Category 1 includes those investments that are insured, registered, or held by the Village or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Village's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Village's name.

The Village's investment in UPPPA – ATC is non-risk categorized.

NOTE D – PROPERTY TAXES

Property taxes were levied and leased by the Village on July 1, 2005 on the taxable valuation of property as of the preceding January 1. The Village billed and collected these taxes from July, 2005 to September, 2005. At that time, any unpaid billings were transferred to Baraga County, which is in charge of collecting delinquent taxes and remitting receipts to the Village. If a billing is still uncollected three years subsequent to the original billing, the property is subject to tax sale. It is the Village's policy to recognize revenue from the current tax levy.

The 2005 state equalized valuation of the Village totaled \$45,627,730 (taxable value \$39,015,285), on which taxes levied consisted of 13.2010 Mills for operating purposes, 1.8990 Mills for the DDA, and 1.2261 Mills for bond debt retirement.

The entire property tax administration fee is paid to the Village treasurer as compensation for collection of property taxes. There is, therefore, no reserved fund balance for excess receipts or excess disbursements associated with the property tax administration fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CAPITAL ASSETS

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
Governmental activities				
Land*	\$ 281,456	\$ -	\$ (10,000)	\$ 271,456
Infrastructure	2,939,071	287,418	-	3,226,489
Infrastructure in progress	124,575	397,381	-	521,956
Construction in progress*	170,256	-	(170,256)	-
Buildings	1,336,177	-	-	1,336,177
Machinery and equipment	298,226	108,080	-	406,306
Vehicles	708,708	290,033	-	998,741
Furniture and equipment	21,966	-	-	21,966
Subtotal	5,880,435	1,082,912	(180,256)	6,783,091
Less accumulated depreciation	835,774	147,504	-	983,278
Net capital assets	\$ 5,044,661	\$ 935,408	\$ (180,256)	\$ 5,799,813
Business-type activities				
Land*	\$ 110,235	\$ -	\$ -	\$ 110,235
Buildings	11,822,373	12,837	-	11,835,210
Machinery and equipment	1,057,571	29,062	-	1,086,633
Vehicles	332,230	-	-	332,230
Furniture and equipment	77,702	-	-	77,702
Subtotal	13,400,111	41,899	-	13,442,010
Less accumulated depreciation	5,258,560	299,370	-	5,557,930
Net assets	\$ 8,141,551	\$ (257,471)	\$ -	\$ 7,884,080

*Non-depreciable.

Depreciation expense was charged to programs of the primary government as follows:

General government	\$ 21,328
Department of public works	78,806
Public safety	39,745
Recreation	7,625
Total	\$ 147,504

NOTE F – LONG-TERM DEBT

Bond issue - Village offices: General long-term debt bonds were issued to finance renovation and construction for an addition to the village fire hall and village offices. The bonds are payable annually at principal amounts ranging from \$10,000 to \$45,000, with the final payment due October 1, 2026. Interest is payable semi-annually at varying rates ranging from 5.00% to 6.05%. The bonds are secured by a pledge of the full faith and credit of the Village and future tax revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LONG-TERM DEBT (CONTINUED)

Bond issue - Local Development: General long-term debt bonds were issued to finance a portion of the cost of a "Streetscape Project". The bonds are payable annually at principal amounts ranging from \$20,000 to \$40,000, with the final payment due October 1, 2020. Interest is payable semi-annually at varying rates ranging from 4.15% to 5.00%. The bonds are secured by tax increment revenues.

Loan payable - USDA - This loan was incurred to provide financing of specific equipment. The loan is payable in annual principal amounts ranging from \$13,000 to \$26,000 with the final payment due October 1, 2016. Interest is payable semi-annually at 4.75%. The loan is secured by the full faith and credit of the Village.

Installment contract payable – Contracts are incurred to provide financing on specific equipment.

The disposal system revenue bonds (1) were issued to partially provide for the acquisition and construction of a disposal plant and connecting sewer system. This project was undertaken in conjunction with the Township of L'Anse and the bonds presented in this report represent 83.56% of the entire bond issue (Village portion). The bonds are payable from the revenues (pledged) generated by the disposal system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2019.

The disposal system revenue bonds (2) were issued to provide for improvements to the disposal plant. This project was undertaken in conjunction with the Township of L'Anse in the same manner as described above. The bonds are payable from revenues generated by the Disposal System Fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds are payable in increasing increments and bear an interest rate of 4.5% per annum and the final payment is due in the year 2042.

The Water Utility revenue bonds were issued to provide for the acquisition and construction of a water and waste disposal system. The bonds are payable from the revenues generated by the water supply system fund, with the full faith and credit of the Village pledged. In addition, the Village is subject to various bond provisions including maintenance of accounts, etc. The bonds bear an interest rate of 5% per annum and the final payment is due in the year 2033.

A disposal system installment note was issued in 2005 to provide for improvements to the disposal plant. This bank note is payable in monthly installments of \$1,374, including interest at 4.15%, with the final payment due in the year 2012.

Changes in long-term debt during the fiscal year ended June 30, 2006 are summarized as follows:

	Balance 7/1/2005	Additions	Retired	Balance 6/30/2006	Due Within One Year
Governmental activities					
General obligation					
Bond issue-village offices	\$ 570,000	\$ -	\$ (15,000)	\$ 555,000	\$ 15,000
Bond issue-streetscape	-	450,000	-	450,000	30,000
Loan payable-USDA	246,000	-	(16,000)	230,000	16,000
Installment contract payable	67,052	-	(11,259)	55,793	11,749
Total bonds and notes	883,052	450,000	(42,259)	1,290,793	72,749
Other liabilities-sick pay	108,126	-	(20,592)	87,534	-
Total governmental activities	\$ 991,178	\$ 450,000	\$ (62,851)	\$ 1,378,327	\$ 72,749
Business-type activities					
Revenue bonds					
Disposal System (1)	\$ 630,878	\$ -	\$ (50,136)	\$ 580,742	\$ 50,136
Disposal System (2)	1,419,685	-	(15,877)	1,403,808	16,712
Water Utility	1,795,000	-	(30,000)	1,765,000	30,000
Installment note	97,940	-	(12,671)	85,269	13,196
Total business-type activities	\$ 3,943,503	\$ -	\$ (108,684)	\$ 3,834,819	\$ 110,044

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – LONG-TERM DEBT (CONTINUED)

Debt requirements to maturity are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 72,749	\$ 63,152	\$ 135,901	\$ 110,044	\$ 183,748	\$ 293,792
2008	64,258	61,169	125,427	119,780	178,431	298,211
2009	70,789	58,113	128,902	121,198	172,632	293,830
2010	72,343	54,872	127,215	127,268	166,770	294,038
2011	70,654	51,500	122,154	129,108	160,613	289,721
2012-2016	359,000	208,149	567,149	620,334	713,264	1,333,598
2017-2021	351,000	117,614	468,614	470,026	574,086	1,044,112
2022-2026	185,000	48,260	233,260	542,133	458,274	1,000,407
2027-2031	45,000	2,723	47,723	694,749	311,897	1,006,646
2032-2036	-	-	-	487,392	146,853	634,245
2037-2041	-	-	-	333,405	64,187	397,592
2042	-	-	-	79,382	3,572	82,954
Totals	\$ 1,290,793	\$ 665,552	\$ 1,956,345	\$ 3,834,819	\$ 3,134,327	\$ 6,969,146

NOTE G – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables are classified as due to/from other funds or component unit and are composed of the following:

Due from	Due to			
	Nonmajor Funds	Business-type Funds	Component Unit	Total
General Fund	\$ 2,068	\$ 109,144	\$ 39,645	\$ 150,857
Nonmajor Funds	\$ 27,000	\$ -	\$ -	\$ 27,000

Individual fund operating transfers for fiscal year 2006 were as follows:

Transfers In	Transfers Out				
	General Fund	Nonmajor Funds	Business-type Funds	Component Unit	Total
General Fund	\$ -	\$ -	\$ -	\$ 172,244	\$ 172,244
Nonmajor funds	-	224,000	-	-	224,000
Business-type funds	-	-	43,000	-	43,000
Debt Service Fund	48,163	-	-	-	48,163
Totals	\$ 48,163	\$ 224,000	\$ 43,000	\$ 172,244	\$ 487,407

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – SEGMENT INFORMATION

The Village maintains three enterprise funds, which are intended to be self-supporting through user fees charged for services to the public. Financial segment information as of and for the year ended June 30, 2006 is presented as follows:

Condensed Statement of Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Current assets	\$ 454,431	\$ 71,140	\$ 58,573	\$ 584,144
Restricted assets	-	51,345	44,779	96,124
Other assets	80,156	-	-	80,156
Capital assets	566,516	4,092,687	3,224,877	7,884,080
Total assets	1,101,103	4,215,172	3,328,229	8,644,504
Current liabilities	134,814	56,342	40,541	231,697
Liabilities payable from restricted assets	-	30,000	66,848	96,848
Noncurrent liabilities	-	1,735,000	1,989,775	3,724,775
Total liabilities	134,814	1,821,342	2,097,164	4,053,320
Invested in capital assets net of related debt	566,516	2,327,687	1,155,058	4,049,261
Restricted	-	21,345	(13,888)	7,457
Unrestricted	399,773	44,798	89,895	534,466
Total net assets	\$ 966,289	\$ 2,393,830	\$ 1,231,065	\$ 4,591,184

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	Electric Utility	Water Utility	Disposal System	Total
Total operating revenues	\$ 1,071,089	\$ 522,147	\$ 623,017	\$ 2,216,253
Depreciation expense	(23,015)	(95,518)	(180,837)	(299,370)
Other operating expenses	(982,539)	(431,161)	(453,537)	(1,867,237)
Operating income (loss)	65,535	(4,532)	(11,357)	49,646
Nonoperating revenues (expenses)	13,299	(85,568)	(96,016)	(168,285)
Transfers	(43,000)	-	43,000	-
Changes in net assets	35,834	(90,100)	(64,373)	(118,639)
Net assets - Beginning	930,455	2,483,930	1,295,438	4,709,823
Net assets - Ending	\$ 966,289	\$ 2,393,830	\$ 1,231,065	\$ 4,591,184

Condensed Statement of Cash Flows

Net cash provided by (used in)				
Operating activities	\$ 50,833	\$ 75,558	\$ 167,718	\$ 294,109
Noncapital financing activities	(43,000)	-	118,000	75,000
Capital and related financing activities	(29,062)	(121,387)	(378,627)	(529,076)
Investing activities	13,299	53,432	1,546	68,277
Net (decrease) increase	(7,930)	7,603	(91,363)	(91,690)
Cash and cash equivalents - Beginning	204,565	20,202	96,131	320,898
Cash and cash equivalents - Ending	\$ 196,635	\$ 27,805	\$ 4,768	\$ 229,208

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – DEFINED BENEFIT PENSION PLAN

Plan Description – The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The Plan is affiliated with the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer pension plan administered by the Gabriel Roeder Smith & Company. Act No. 427 of the Public Acts of 1984, as amended, and the Constitution of the State of Michigan assign the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Plan, that authority rests with the Village. The Gabriel Roeder Smith & Company issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Gabriel Roeder Smith & Company, One Towne Square, Suite 800, Southfield, Michigan 48076-3723 or by calling (248) 799-9000.

Funding Policy – The Village is required to contribute at an actuarially determined rate; the current rate is 18.20% of annual covered payroll. The contribution requirements of the Village are established and may be amended by the MERS Board of Trustees.

Actuarial valuations are performed annually. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Memberships of the plan are as follows:

Active members	19
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	<u>7</u>
Total	<u>29</u>

Annual Pension Cost – For the year ended June 30, 2006, the Village's annual pension cost of \$126,168 for the Plan was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses) (b) projected salary increases of 4.5% per year, and an additional projected salary increase ranging from 0.0% to 8.40% per year. The actuarial value of the Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2005, was 30 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contributed	Percent of APC Obligation	Net Pension
June 30, 2004	\$ 109,200	\$ 109,200	100	\$ -
June 30, 2005	119,088	119,088	100	-
June 30, 2006	126,168	126,168	100	-

NOTE J – ECONOMIC DEPENDENCY

The Village receives a significant amount of its revenues from two corporate entities located within the Village. Approximately 25% of property tax revenues are received from these entities.

VILLAGE OF L'ANSE**REQUIRED SUPPLEMENTAL INFORMATION****BUDGETARY COMPARISON SCHEDULE - GENERAL FUND****YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes				
Real and personal property taxes	\$ 484,300	\$ 484,500	\$ 484,900	\$ 400
Payment in lieu of taxes	10,000	7,000	7,600	600
Penalties and interest	5,000	5,000	5,615	615
Total property taxes	499,300	496,500	498,115	1,615
State - shared revenues	232,500	227,500	227,054	(446)
Other revenues				
Garbage collection fees	220,000	220,000	223,349	3,349
Federal grants - Homeland Security	170,000	90,000	101,377	11,377
State grants - Streetscape	690,000	320,000	321,325	1,325
Local contribution - Keweenaw	50,000	50,000	50,000	-
Rent	110,000	180,000	181,953	1,953
Interest	10,000	10,000	9,565	(435)
Other	26,000	48,500	40,186	(8,314)
Total revenues	2,007,800	1,642,500	1,652,924	10,424
Expenditures				
General government				
Village council	18,600	16,750	16,623	127
Attorney	5,000	5,200	5,170	30
Village clerk	1,200	600	600	-
Treasurer	9,000	8,250	8,089	161
Buildings and grounds	4,000	7,350	6,958	392
Cemetery	25,500	18,150	17,969	181
General government	45,200	52,950	50,016	2,934
Total general government	108,500	109,250	105,425	3,825
Public safety				
Police department	303,800	343,050	342,554	496
Fire department	34,300	67,050	66,833	217
Building inspection	3,700	3,150	3,091	59
Total public safety	341,800	413,250	412,478	772
Public works				
Department of public works	258,500	308,750	308,343	407
Sidewalks	5,000	3,900	3,804	96
Total public works	263,500	312,650	312,147	503

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Expenditures (continued)				
Sanitation				
Sanitary landfill	120,000	128,500	128,143	357
Waste collection and disposal	87,000	81,050	80,735	315
Total sanitation	207,000	209,550	208,878	672
Recreation				
Parks and recreation	12,000	12,700	11,983	717
Ice arena	19,500	20,550	20,319	231
Marina	1,200	4,000	3,954	46
Total recreation	32,700	37,250	36,256	994
Capital outlay				
Public safety	-	250	225	25
Public works	1,240,000	610,000	607,296	2,704
Fire department	277,000	218,000	217,717	283
Total capital outlay	1,517,000	828,250	825,238	3,012
Debt service				
Fire department	10,000	9,150	9,038	112
Public works	37,000	32,050	31,965	85
Total debt service	47,000	41,200	41,003	197
Total expenditures	2,517,500	1,951,400	1,941,425	9,975
Excess of revenues (under) expenditures	(509,700)	(308,900)	(288,501)	20,399
Other financing sources (uses)				
Installment obligation	-	450,000	450,000	-
Sale of fixed assets	-	4,000	4,104	104
Operating transfers in - Component Unit	550,000	173,000	172,244	(756)
Operating transfers out - Debt Service Fund	(48,000)	(48,200)	(48,163)	37
Total other financing sources (uses)	502,000	578,800	578,185	(615)
Net change in fund balance	(7,700)	269,900	289,684	19,784
Fund balance - Beginning of year	145,314	145,314	145,314	-
Fund balance - End of year	<u>\$ 137,614</u>	<u>\$ 415,214</u>	<u>\$ 434,998</u>	<u>\$ 19,784</u>

VILLAGE OF L'ANSE**REQUIRED SUPPLEMENTAL INFORMATION****RETIREMENT SYSTEMS SCHEDULE OF FUNDING PROGRESS****MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM****YEAR ENDED JUNE 30, 2006**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
12/31/2000	1,568,840	2,436,234	867,394	64%	709,169	122%
12/31/2001	1,765,245	2,710,740	945,495	65%	739,738	128%
12/31/2002	1,916,659	2,947,851	1,031,192	65%	768,361	134%
12/31/2003	2,163,852	3,227,396	1,063,544	67%	763,084	139%
12/31/2004	2,367,333	3,515,284	1,147,951	67%	774,306	148%
12/31/2005	2,542,122	3,917,042	1,374,920	65%	693,233	198%

RETIREMENT SYSTEMS SCHEDULE OF EMPLOYER CONTRIBUTIONS**MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percent Contributed
2001	\$ 93,504	\$ 93,504	100
2002	97,729	97,729	100
2003	104,690	104,690	100
2004	109,200	109,200	100
2005	119,088	119,088	100
2006	126,168	126,168	100

The information presented above was determined as part of the actuarial valuations at the date indicated. Additional information as of June 30, 2005, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.50%
*includes inflation at	4.50%
Additional salary increases attributable to seniority/merit	0% to 8.40%

VILLAGE OF L'ANSE
OTHER SUPPLEMENTAL INFORMATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,974	\$ 3,484	\$ 29,110	\$ -	\$ 34,568
Taxes receivable	-	-	469	-	469
Accounts receivable	8,853	4,502	-	-	13,355
Inventory	-	2,596	-	-	2,596
Due from other funds	10,000	17,000	2,068	-	29,068
Total assets	\$ 20,827	\$ 27,582	\$ 31,647	\$ -	\$ 80,056
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 17,421	\$ 20,071	\$ -	\$ -	\$ 37,492
Accrued expenses	980	1,137	-	-	2,117
Due to other funds	-	-	27,000	-	27,000
Total liabilities	18,401	21,208	27,000	-	66,609
Fund balances - Undesignated	2,426	6,374	4,647	-	13,447
Total liabilities and fund balances	\$ 20,827	\$ 27,582	\$ 31,647	\$ -	\$ 80,056

VILLAGE OF L'ANSE**OTHER SUPPLEMENTAL INFORMATION****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS****YEAR ENDED JUNE 30, 2006**

	Major Street	Local Street	Municipal Street	Debt Service	Total Nonmajor Governmental Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 156,183	\$ -	\$ 156,183
State shared revenues	113,664	55,589	15,528	-	184,781
Interest	31	184	767	-	982
Total revenues	113,695	55,773	172,478	-	341,946
Expenditures					
Routine maintenance	87,157	110,242	-	-	197,399
Traffic services	7,971	600	-	-	8,571
Winter maintenance	56,660	55,420	-	-	112,080
Administrative, engineering and record keeping	19,910	25,278	326	325	45,839
Capital outlay	10,000	38,833	38,585	-	87,418
Debt service	-	-	-	47,838	47,838
Total expenditures	181,698	230,373	38,911	48,163	499,145
Excess of revenues (under) over expenditures	(68,003)	(174,600)	133,567	(48,163)	(157,199)
Other financing sources (uses)					
Operating transfers in	55,000	169,000	-	48,163	272,163
Operating transfers out	-	-	(224,000)	-	(224,000)
Total other financing sources (uses)	55,000	169,000	(224,000)	48,163	48,163
Net change in fund balances	(13,003)	(5,600)	(90,433)	-	(109,036)
Fund balances - Beginning of year	15,429	11,974	95,080	-	122,483
Fund balances - End of year	\$ 2,426	\$ 6,374	\$ 4,647	\$ -	\$ 13,447

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 26,460	\$ 16,884
Accounts receivable - net	<u>44,680</u>	<u>33,773</u>
Total current assets	71,140	50,657
Long-term assets		
Restricted assets	51,345	103,318
Utility plant and system (capital assets)	<u>4,092,687</u>	<u>4,185,819</u>
Total assets	4,215,172	4,339,794
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	12,702	21,527
Accrued expenses	43,415	39,112
Customers' deposits	225	225
Current liabilities payable from restricted assets	<u>30,000</u>	<u>30,000</u>
Total current liabilities	86,342	90,864
Long-term debt - net of current portion	<u>1,735,000</u>	<u>1,765,000</u>
Total liabilities	1,821,342	1,855,864
Net assets		
Invested in utility plant and system - net of related debt	2,327,687	2,390,819
Restricted	21,345	73,318
Unrestricted and undesignated	<u>44,798</u>	<u>19,793</u>
Total net assets	\$ 2,393,830	\$ 2,483,930

VILLAGE OF L'ANSE**WATER UTILITY FUND****COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating revenues		
Sales	\$ 519,453	\$ 427,430
Services	2,694	960
Other	-	809
Total operating revenues	522,147	429,199
Operating expenses		
Distribution	393,260	345,989
Administrative and general	37,901	36,893
Depreciation	95,518	94,418
Total operating expenses	526,679	477,300
Operating (loss)	(4,532)	(48,101)
Nonoperating revenues (expenses)		
Interest income	3,432	1,728
Interest expense	(89,000)	(90,500)
Total nonoperating revenues (expenses)	(85,568)	(88,772)
Changes in net assets	(90,100)	(136,873)
Net assets - Beginning of year	2,483,930	2,620,803
Net assets - End of year	\$ 2,393,830	\$ 2,483,930

VILLAGE OF L'ANSE
WATER UTILITY FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash flows from operating activities		
Receipts from customers	\$ 511,240	\$ 435,330
Payments to suppliers	(132,580)	(105,922)
Payments to employees for wages and benefits	(303,102)	(261,569)
Other receipts	-	809
Net cash provided by operating activities	75,558	68,648
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,387)	(17,361)
Principal paid on debt	(30,000)	(30,000)
Interest paid on debt	(89,000)	(90,500)
Net cash (used in) capital and related financing activities	(121,387)	(137,861)
Cash flows from investing activities		
Interest	3,432	1,728
Reduction in investments	50,000	20,000
Net cash provided by investing activities	53,432	21,728
Net change in cash and cash equivalents	7,603	(47,485)
Cash and cash equivalents - Beginning of year	20,202	67,687
Cash and cash equivalents - End of year	\$ 27,805	\$ 20,202
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 26,460	\$ 16,884
Restricted assets	1,345	3,318
Total	\$ 27,805	\$ 20,202
Reconciliation of operating (loss) to net cash from operating activities		
Operating (loss)	\$ (4,532)	\$ (48,101)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	95,518	94,418
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(10,907)	6,940
(Decrease) increase in accounts payable	(8,824)	10,736
Increase in accrued expenses	4,303	4,655
Net cash provided by operating activities	\$ 75,558	\$ 68,648

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	2006	2005
Assets		
Current assets		
Cash and cash equivalents	\$ 2,850	\$ 86,815
Accounts receivable - net	55,723	50,023
Due from General Fund	-	75,000
Total current assets	58,573	211,838
Long-term assets		
Restricted assets	44,779	52,124
Utility plant and system (capital assets)	3,224,877	3,395,264
Total assets	3,328,229	3,659,226
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable	14,581	206,657
Accrued expenses	12,764	8,628
Current liabilities - installment contract	13,196	12,659
Current liabilities payable from restricted assets	66,848	66,012
Total current liabilities	107,389	293,956
Long-term debt - net of current portion	1,989,775	2,069,832
Total liabilities	2,097,164	2,363,788
Net assets		
Invested in utility plant and system - net of related debt	1,155,058	1,246,761
Restricted	(13,888)	(13,888)
Unrestricted and undesignated	89,895	62,565
Total net assets	\$ 1,231,065	\$ 1,295,438

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Operating revenues		
Sales	\$ 620,240	\$ 559,840
Services	2,777	4,210
Total operating revenues	623,017	564,050
Operating expenses		
Distribution	442,114	412,077
Administrative and general	11,423	11,331
Depreciation	180,837	162,630
Total operating expenses	634,374	586,038
Operating (loss)	(11,357)	(21,988)
Nonoperating revenues (expenses)		
Interest income	1,546	1,711
Interest expense	(97,562)	(104,030)
Total nonoperating revenues (expenses)	(96,016)	(102,319)
(Loss) before transfers	(107,373)	(124,307)
Transfers from other funds	43,000	75,000
Changes in net assets	(64,373)	(49,307)
Net assets - Beginning of year	1,295,438	1,344,745
Net assets - End of year	\$ 1,231,065	\$ 1,295,438

VILLAGE OF L'ANSE
DISPOSAL SYSTEM FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
Cash flows from operating activities		
Receipts from customers	\$ 617,317	\$ 574,435
Payments to suppliers	(162,367)	(184,078)
Payments to employees for wages and benefits	(287,232)	(271,991)
Net cash provided by operating activities	167,718	118,366
Cash flows from noncapital financing activities		
Transfers	118,000	-
Net cash provided by noncapital financing activities	118,000	-
Cash flows from capital and related financing activities		
Purchase of capital assets	(202,381)	(76,258)
Proceeds from debt	-	118,383
Principal paid on debt	(78,684)	(63,059)
Interest paid on debt	(97,562)	(104,030)
Net cash (used in) capital and related financing activities	(378,627)	(124,964)
Cash flows from investing activities		
Interest	1,546	1,711
Reduction in investments	-	64,377
Net cash provided by investing activities	1,546	66,088
Net change in cash and cash equivalents	(91,363)	59,490
Cash and cash equivalents - Beginning of year	96,131	36,641
Cash and cash equivalents - End of year	\$ 4,768	\$ 96,131
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 2,850	\$ 86,815
Restricted assets	1,918	9,316
Total	\$ 4,768	\$ 96,131
Reconciliation of operating (loss) to net cash from operating activities		
Operating (loss)	\$ (11,357)	\$ (21,988)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Depreciation	180,837	162,630
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(5,700)	10,385
(Decrease) in accounts payable	(198)	(2,845)
Increase (decrease) in accrued expenses	4,136	(29,816)
Net cash provided by operating activities	\$ 167,718	\$ 118,366